

Towards LEP investment success – lessons from RDAs and other reflections



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I must start with an admission – I never watched ‘Life on Mars’, or its successor ‘Ashes to Ashes’. But I can only believe George Osborne must have been a fan. The story of a Police Officer who is hit by a car and wakes up a couple of decades earlier might well be the inspiration for the rebirth of ‘Enterprise Zones’. This appears to be the latest attempt by government to rescue a coherent growth strategy from the ashes of deficit reduction and the evisceration of the previous administration’s attempts to stimulate sub-national growth – through RDAs and a regional leadership role for sub-national economic development.

I am certainly not going to spend the next 15 minutes as an apologist for the RDAs. But I do want to look back at some of the lessons of the last decade in terms of investment planning and management – focusing on both the RDA role and functions; but also on the, locally just as important, plethora of arms-length bodies that were established to plan and manage growth. And, given this is an ‘Enterprise Partnership Forum’, I want to finish by looking at functions of enterprise and innovation whose renationalisation was signalled in the Local Growth White Paper last year – especially those like trade and inward investment, technology and innovation centres, and business link whose future local footprints are currently being procured or reshaped by BIS.

Investing for Growth – An external view



Local growth: realising every place's potential



- Government context
 - ▣ Words or deeds?
- Local Ambitions
 - ▣ Local challenges
- Business scepticism
 - ▣ Potential opportunities
- Investing for growth
 - ▣ Innovation in austerity
 - ▣ Instruments, demand and market readiness

The jury is still out on whether government words on 'localism' are being translated into deeds at the frontline of local economic development. 'Localism' meant the establishment of +/-30 Local Enterprise Partnerships of differing sizes, characters and types of economic and administrative geographies – with no substantive powers and miniscule resources (compared even to RDAs).

And in terms of BIS renationalised functions for enterprise and innovation, BIS's response to my piece in the LGC last week about the apparent lack of local involvement in key decisions on renationalised functions was a statement by an anonymous spokesperson that UKTI would work together with LEPs on promoting inward investment and trade "once they are up and running" – which seems to me to rather miss the point altogether.

The scepticism of government motives and methods is fairly widespread – from the gentle constructive criticisms of the BIS Select Committee in February which concluded that government's approach to growth was less than comprehensive; through Richard Lambert's parting shot as DG of the CBI – going 'in search of growth' and being unable to find it in government policy; to relatively frequent use of the terms shambolic, chaotic, toothless and the like in the national media.

However, we have seen in LEP initial proposals, bids for RGF, and in the work put in locally to turn initial proposals into practice, that there is local ambition for taking control of our local economic destiny. There is also considerable business enthusiasm for involvement and partnership working – witness the recent signing of a number of JV agreements literally from Newcastle to Torbay; and the business interest in engaging in new forms of service delivery – some of which potentially can include development and regeneration activity. So, in terms of investment, there is evidence that public austerity can stimulate innovation, and that there is market demand for credible, investment propositions.

The RDA Experience

- **Focus** on sustainable economic growth
- **Strategy** (RES)-led
- **Critical mass** – capacity, capability, commitment, intelligence
- **Limited powers**, legitimacy and resources (compared to LAs)
- **Complex and detailed oversight** – from Govt



Producing credible investment propositions can be informed by the RDA experience. As they matured as institutions in their first decade the RDA brought to sub-national development:-

1. A clear focus on the economy (which no other institution could apply in such a singular manner);
2. An improving strategy-led process for investment prioritisation. So for instance, at the end of its life, the East of England Development Agency had aligned the Regional Economic Strategy with the Regional Spatial Strategy and agreed an Implementation Planning framework for, in effect, a Single Regional Strategy with key local government partners and the stakeholders on the Regional Assembly
3. A critical mass of capability for understanding how to plan and manage economic change sub-nationally – through physical capital investments, business growth and skills programmes, and community regeneration interventions.

Certainly, these aptitudes will be needed by LEPs and local authorities if they are to be credible agents of economic change in an era of public austerity.

As I said in my introduction, I am not here as an apologist for the RDAs, and I recognise there were significant weaknesses in the model. The complex and detailed oversight by government, together with the RDAs quite modest powers and resources (compared to the national task of the Regional Growth Public Service Agreement), exacerbated the lack of local legitimacy which is probably why it was so easy for the incoming coalition government to announce RDA abolition in its first emergency budget with little fear of either a major business or a local backlash.

RDA Investment 'Lessons' and learning

Positives

- Transformational
- Innovation
- Leveraging partners and programmes
- Government and EU compliance
- Learning by Doing

Areas for further work by LEPs

- IEF – business, place, people Rol
- New, broader models for local growth
- Building confidence and competence
- Government relations



LEPs can look seriously at RDA lessons on investment planning and management. At their best, RDA investment strategies were:-

1. Transformational - I am particularly proud in the East of England at EEDA having changed the pattern of HE provision, delivering new university centres for the cities of Ipswich, Southend, and Peterborough – and new outreach in a range of other smaller towns and communities; and of the network of 'Enterprise Hubs' operating alongside large corporates in key sectors, universities and research centres.
2. Innovative – For instance, the work EMDA on Blueprint with HCA and Igloo, has provided a model for asset-backed development vehicles and relations with pension and life funds; and most RDAs have been at the forefront of various types of low carbon investment development
3. They did leverage other partners – both public and private. The EEDA examples I gave above did involve HEFCE, LAs and HEIs; and major private players like BT, GSK, and Unilever
4. They learnt how to comply with quite complex national and EU grant regimes – 'green book', CPRG, ERDF – and obviously they got better at investment planning and management as they gained experience

In some senses this can serve as a template for LEPs, but there are also other lessons that need consideration and tailoring locally:-

- Firstly, it is worth looking at the Independent Evaluation Framework reports that PWC produced on RDA impact. To give one very major example – they found that investment returns on business-facing interventions produced much higher employment and GVA returns than those on physical regeneration or skills. That is important given the renationalisation issue mentioned above.
- Secondly, one of the RDA weaknesses was their inability to significantly influence mainstream public service budgets. Their role, for instance, in LAAs or 'Total Place' was quite modest and often occurred after the event. Going forward, LAs and LEPs have a real opportunity to look at public investment in an area comprehensively – and weave economic development investments and returns into all major publicly-supported interventions
- And finally, I do think there is the point about local leadership actually having the confidence to agree priorities locally and then set those agendas with government and delivery agencies – rather than always being in a responsive mode to the latest pronouncements from Whitehall and Westminster

From regional to local deconstruction

- Tens of URCs, EDCs and other arms-length bodies closing or being assimilated within LAs
 - Strong focus on local place-shaping and public/private partnership building
 - Cost reduction pressures on LA econdev and regeneration teams
- Walsall Regeneration Company to close
 - Economic development body Hull Forward to close
 - Chester Renaissance Chairman steps aside
 - Urban regeneration companies inadequate for post-recession world
 - Wolverhampton Development Company to be wound up



One of the less-remarked features of the last year has been the regular closure of local arms-length bodies charged with development and regeneration. For instance, of 27 English URCs and EDCs featured on the CLG/HCA arms-length body website, 17 have now closed; and so also have many other types of 'local delivery vehicles' – including Luton Gateway which I chaired until the end of December 2010.

These bodies were distinctive in focusing on specific places, and on raising market profile and interest in them, often through tools and techniques such as master-planning, land assembly, enabling investments, and, again at their best, doing deals with the private sector. Latterly, Economic Development Companies have also begun to play a major role in business growth functions and in developing new models of asset-backed ALB.

Local DevCo 'lessons' and learning

Positives

- Focus on places and the market
- Creating a 'space' for resolving difficult issues and building consensus
- Commercial capability, programme, project, performance management
- LA 'critical friend'

Areas for further work by LEPs

- Delivering genuine 'place-shaping' for key centres of change in LEP areas
- Utilising new instruments – TIF, CIL, Bonds? etc.
- Doing deals with the private sector
- How enabling and empowering LAs will be



For local leadership teams moving forward, I believe there is a need to recognise the lessons of Arms Length Bodies (ALBs) and ensure that their areas do have mechanisms to:-

1. Plan and manage change holistically in real places – individual cities, towns and neighbourhoods
2. Understand the market profile of the place; and how to improve market sentiment and attract private investment in the area
3. Ensure that key role players do have a 'deliberative space' where they can meet and flesh out difficult issues about priorities, delivery and performance management
4. Encourage and accept constructive challenge of key public functions – e.g. the most problematic one in ALB experience being the LA planning regime

There is also a need to modernise and refresh ALB models to take on board new investment instruments from fairly traditional programmes like RGF to more radical mechanisms like TIF, CIL, Green Investment Bank, even municipal bonds etc.

And finally, do LAs and LEPs actually have the entrepreneurial deal-makers that the best ALBs deployed – and, if not, are they up for recruiting and deploying them, for actually securing the resourcing for investment-ready propositions in the market – given the likely lower level of public resourcing available?

Renationalising Enterprise and Innovation

- 'there are some functions which are best coordinated or delivered at national level'
 - Business Support (BLO)
 - Trade & Inward Investment
 - TICs and Innovation
 - ?Skills?
 - ?Enterprise Zones?
- But what does this mean for these functions in 'real economic places'



I mentioned earlier, how the RDA evaluation work showed far superior returns on investment from enterprise and innovation interventions; and, on ALBs, that the more recent EDC variant have increasingly gravitated towards getting the economy right in their areas. How are these functions going to play out locally given BIS's renationalisation and national procurement of them?

- We have already seen the TSB TIC prospectus make virtually no reference to economic geography in their call for expressions of interest – yet these are the places from where jobs of the future will emerge.
- Similarly, we know UKTI-led inward investment goes mostly to London, the South East and a small number of other locations outside the capital (e.g. like Cheshire and Warrington in the North-West); but the procurement exercise for the former regional services has been conducted hastily with little contribution from local partners.
- The current regional business link services will close in November, and that a national contact centre approach will be procured over the summer. But we are currently still in the dark on how initiatives like 'regional growth hubs', and 1:1 mentoring and support arrangements might play out in specific cities and communities.
- Finally, we get announcements/leaks from the Chancellor about the rebirth of Enterprise Zones in the budget imminently – and again we know little how this initiative will be planned, managed and aligned in specific places

Key Issues for LEPs and E&I investment

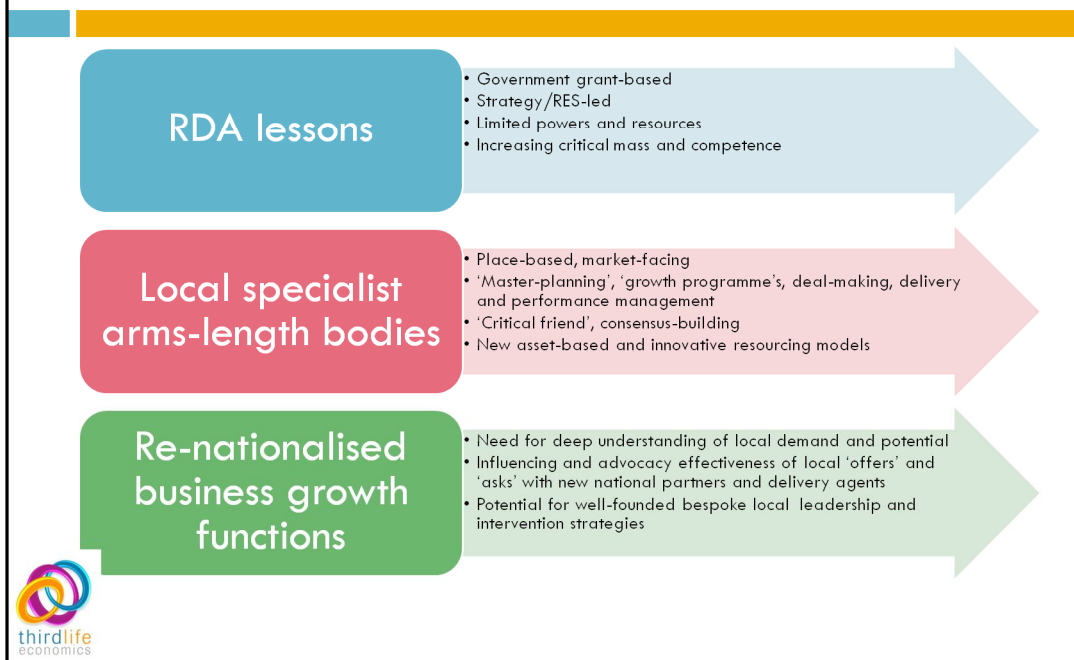


- Understanding the business growth agenda and tailoring it locally
- Supporting agglomeration and networking
- Influencing new national partners – BIS, TSB, RCs, UKTI
- New ways of working locally and delivering interventions effectively

With renationalisation a 'given', the LA/LEP agenda has to be about:-

- Getting a deep understanding of the local economy and the main growth sectors, technologies and companies in it – so that government and their agents actually need us to achieve their goals in, for instance, HVM, low carbon, creative industry growth etc
- Working with local partners to support networks, supply chain, education-industry links etc., that can give our cities and communities a competitive edge in terms of agglomeration economies
- Having a clear influencing, advocacy and relationship management strategy with BIS and its agencies and contractors – so they are very aware of our priorities – our OFFER to and our ASKS of them
- And we will need to have the capacity and resource to make specific interventions where there are opportunities to be realised in terms of our priorities that do not get national attention

Three differing perspectives...



What I have tried to lay out in this presentation has been three different aspects of the current still evolving economic development and investment landscape – particularly as it applies to LAs/LEPs.

- Given the imminent demise of the RDAs, what can we learn from their experience over the last decade?
- Do local areas/specific places need specialist investment delivery vehicles? I propose that they probably do, and consider we can take the following points from our experience with URCs, EDCs and other ALBs in the recent past.
- And, finally, how are we going to promote a localism in enterprise and innovation in a period where these functions have been renationalised?

Towards LEP Investment Success...

Lessons of the past

- Understanding of and focus on economic growth
- Strategy, place and market led
- Purposeful partnerships
- Transformation and innovation in interventions
- Competence and credibility in delivery



Models for the future

- LEPs and strategic economic leadership
- Integrated Investment Programmes
- Bespoke and effective delivery arrangements
- Clear 'offers' and 'asks' agreed with government on key economic drivers
- Willingness of government and LAs to be genuine partners and sometimes 'servant leaders'

We have heard earlier about RGF and about the types of instruments that Local Partnerships are developing and assisting us with. My argument is that for these to be fully effective in delivering optimum investment, LAs/LEPs do need:-

1. Acute intelligence about how their economy works, and what its potential for growth is
2. A strategic approach to realising that potential which is place specific and which, in an era of public austerity, can attract the market, and which is well-supported by all major partners/role-players.
3. A small number of well-founded priorities, and dedicated arrangements for delivery and performance managing implementation of them

The LEPs, with limited powers and resources, can provide strategic economic leadership if they assemble the right team, and are prepared to confront the difficult issues facing them.

Moving from agenda-setting to implementation, however, will require integrated investment planning (as an elaboration of the Total Capital approach that has been worked on in some pilot areas); and credible, competent delivery organisations.

But, as important as all this, will be articulating local ambitions and specific investment propositions to government and the market; and for government nationally, and LAs locally, being then prepared to let the LEP lead, and the delivery arrangements deliver.
THANK YOU.



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